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U.S. Food Administration

Hog and corn ratios

Chicago

1917

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UNITED STATES
FOOD ADMINISTRATION

MEAT DIVISION

HOG and CORN RATIOS

REPORT OF COMMISSION APPOINTED BY THE U. S.
FOOD ADMINISTRATION TO INVESTIGATE
THE COST OF PRODUCING HOGS



CHICAGO

1917

ANNOUNCEMENT

The Meat Division of the United States Food Administration here presents the full findings of the Commission appointed by Mr. Herbert Hoover to investigate the costs of hog production and report plans for stimulation of the industry.

Report of Commission to Investigate the Cost of Producing Hogs

OFFICE OF THE FOOD ADMINISTRATION

Chicago, Ill., October 27, 1917.

Honorable Herbert C. Hoover,
United States Food Administrator,
Washington, D. C.

Dear Sir:

Your Commission appointed to determine the cost of hog production, in terms of bushels of corn, and to advise as to what is deemed essential to encourage production begs leave to submit the following report:

We believe that definite, stimulative action is immediately necessary if the pork supply of the Nation and the Nation's Allies is to be sufficient to meet demands.

There is a marked feeling of uncertainty evident on the part of the producer. This is manifest in the large number of unfinished hogs now going to market. There is a big tendency to market potential breeding stock—breeding stock that is essential to further increase. The feeling of unrest and uncertainty on the part of the producer is greatly accentuated by the recent marked drop in price of live hogs. First and above all, confidence should be instilled so that producers will feel that when their hogs are finished for market, they will sell at a fair price—at least sufficient to cover the actual cost of production and a fair profit.

In all of our deliberations we have borne steadfastly in mind the world wide problems of supplying ourselves and our Allies with meats and fats, and particularly have we kept uppermost in our thoughts the consumer. The consumer's and the producer's interests in these United States rest on a common foundation of laws, customs, economic relationships and social life.

Producers Opposed to Profiteering

We believe that the sentiment of the swine producer is overwhelmingly opposed to any unjust or profiteering arrangement that will be hurtful to the great rank and file of consuming interests. And further, that all the producer asks is a sensibly sound, economic arrangement whereby he may secure for his efforts expended in the production of pork simply the cost of production plus a fair profit. In other words, a price for his hogs that shall meet our President's definition of a just price.

We believe that under normal conditions the ordinary laws of supply and demand should rule, but in this emergency situation the results desired come too slowly, and may be out of proportion to the urgent demands of the moment. Therefore, definite, artificial stimulus and regulation are necessary in order to secure the products needed; and to insure a fair and just relationship among producers, packers and consumers.

Corn Ratio to Hog Feeding

The Commission finds that the approximate, equivalent value of twelve bushels of No. 2 corn is necessary to produce 100 pounds of average live hog under average farm conditions.

While hog production for the ten years ending 1916 has been maintained on a ratio of 11.67 bushels of corn to 100 pounds of hog, we believe, when all the losses are taken into account, that it is doubtful whether there has been a profit on the business with this ratio on the average.

The normal number of hogs in the United States is approximately 65,000,000 as contrasted with the present supply of not more than 60,000,000. To bring swine production back to normal, the Commission believes that it will require a stimulative market which will pay at least the equivalent value of 13.3 bushels of corn for 100 pounds of average hog.

We further believe that the equivalent value of at least 14.3 bushels of corn must be paid for 100 pounds of average hog in order that production may be stimulated 15 per cent above the normal.

Minimum Price for Immediate Future

The best emergency method of stabilizing the market and preventing the premature marketing of light, unfinished pigs and breeding stock, we firmly believe, is to establish immediately a minimum emergency price for good to select butcher hogs of \$16 per hundred pounds on the Chicago market. For the purpose of immediately stimulating production of swine for the next year, we recommend that a ratio be immediately established and announced at once, same to go into effect February 1, 1918. Steps should also be taken to prevent, as far as possible, any large or sudden change in prices when they go from the minimum basis to the ratio basis. This minimum price should also apply to other markets and to other classes of market hogs with the usual or normal differentials.

We recommend that the question of price range between the various market classes and grades of hogs should be determined by a suitable committee of representative packers, livestock commission men, and representatives of this Commission, the same to be appointed by Mr. Hoover.

A correct price for hog cannot be determined by using the basic corn value of the month in which this hog is marketed. This method is economically unsound and unjust because the feed which is chargeable to this hog was consumed during the previous months.

To establish the market value of 100 pounds of average hog, in terms of corn, a weighted average of the corn consumed by the hog or its antecedents during the period of twelve months previous to marketing must be taken into consideration. The determined approximate percentage of corn consumed for the period of twelve months of the market hog and its mother, is distributed approximately as follows:

| | Per cent |
|---------------------|--------------|
| First month | 2 |
| Second month..... | 2 |
| Third month..... | 2 |
| Fourth month..... | 3 |
| Fifth month..... | 4 |
| Sixth month..... | 6 |
| Seventh month..... | 5 |
| Eighth month..... | 9 |
| Ninth month..... | 15 |
| Tenth month..... | 20 |
| Eleventh month..... | 17 |
| Twelfth month..... | 15 |
| Total | 100 Per cent |

In determining a ratio, we believe it essential that this ratio should be varied by months in accordance with the historical differentials between the respective months as in normal times, so as not to throw our ordinary marketing, distributing and producing practices out of line. Our normal monthly historical ratios from December to April gradually increase. Thus indirectly they put a premium on the holding of the previous spring farrowed hogs to latter markets, and in this manner act as differentials in favor of feeding these hogs to heavier weights. If a definite ratio of 13.3 be established, that ratio shall therefore be the average of all of the months within the year, and thus necessarily not be constant throughout the entire period.

We have therefore rearranged the average ratio, by months, according to the following recommended tabulated presentation:

TABLE I
AVERAGE RATIOS ARRANGED ON THE DIFFERENTIAL
MONTHLY BASIS

| The Month | Average Ratio of 11.67* (Weighted average based on 10 years, 1907-'16, incl.) | Average Ratio of 12.0** | Average Ratio of 13.3*** | Average Ratio of 14.3**** |
|-----------|---|----------------------------|-----------------------------|------------------------------|
| January | 11.0 | 11.3 | 12.5 | 13.5 |
| February | 11.6 | 11.9 | 13.2 | 14.2 |
| March | 12.4 | 12.8 | 14.1 | 15.2 |
| April | 12.7 | 13.1 | 14.5 | 15.6 |
| May | 12.3 | 12.7 | 14.0 | 15.1 |
| June | 12.1 | 12.4 | 13.8 | 14.8 |
| July | 12.0 | 12.3 | 13.7 | 14.7 |
| August | 11.8 | 12.1 | 13.5 | 14.5 |
| September | 11.8 | 12.1 | 13.5 | 14.5 |
| October | 11.3 | 11.6 | 12.9 | 13.9 |
| November | 10.6 | 10.9 | 12.1 | 13.0 |
| December | 10.4 | 10.7 | 11.9 | 12.7 |
| | Avg. 11.67 | Avg. 11.99 | Avg. 13.31 | Avg. 14.31 |

*This represents the average of ten years' figures, same being computed on the composite value of the corn consumed in the twelve months previous to the marketing of the hog.

**This ratio represents approximate production cost.

***Represents ratio necessary to bring production back to normal.

****Represents ratio necessary to increase production 15 per cent above normal.

Chicago Basic Market for Prices

Chicago is a basic market for corn and hogs. Therefore, we recommend that Chicago be used as the basis in any price stabilization and that adjustments of differentials, which may be found necessary in order to prevent any injustice against any section or market, be made by the Food Administration.

The present ratio, figured on a weighted average for late October, 1917, shows that on the basis of Chicago No. 2 corn and Chicago average hogs, that 100 pounds of average hog is selling for the low value of practically 8.8 bushels of corn; and at this time 100 pounds of average hog is selling for the current equivalent value of only 7.4 bushels of corn. It is easy to see and fully comprehend why there has been a marked decrease in production and why thousands of light, immature and unfinished hogs have been or are being rushed to market.

In the periods of heavy loss, the future production of the industry is threatened. Swine men cannot persistently stay in a losing game even though they are intensely patriotic. They have taxes to pay and mouths to feed, and cannot be, financially speaking, good citizens in this terrible and costly war if they are engaged in a losing business.

Conditions that existed during Civil War times are particularly suggestive as regards what happens to the corn and hog ratio. The figures for the years covering 1861 to 1866 are particularly interesting in that they give us historical precedent which may be of immense value in formulating methods of stimulation and regulation in the present conflict. The ratio between corn and hogs, as well as the approximate price for corn, is therefore presented herewith for your consideration:

TABLE II
CIVIL WAR RATIOS AND CORN PRICES
(Figured on Current Monthly Values.)

| The Month | The Year | Explanatory Statements | Ratio | The Price of Corn per Bushel |
|-------------|----------|--------------------------------------|----------|------------------------------|
| Jan., 1861 | 1861 | Profit period before war started. | 17.7 bu. | 28.5c |
| April, 1861 | 1861 | War begins. | 15.1 | 30.1 |
| July, 1861 | 1861 | Conditions apparently normal as yet. | 11.7 | 22.9 |
| Oct., 1861 | 1861 | | 13.1 | 22.0 |
| Jan., 1862 | 1862 | | 10.4 | 22.6 |
| April, 1862 | 1862 | | 11.1 | 26.2 |
| July, 1862 | 1862 | | 9.1 | 28.1 |
| Oct., 1862 | 1862 | Period of decline begins. | 8.6 | 33.8 |
| Jan., 1863 | 1863 | | 7.7 | 46.6 |
| April, 1863 | 1863 | | 9.0 | 47.3 |
| July, 1863 | 1863 | | 8.9 | 48.1 |
| Oct., 1863 | 1863 | Hogs noticeably lag behind corn. | 5.2 | 79.2 |
| Jan., 1864 | 1864 | | 7.1 | 82.4 |
| Feb., 1864 | 1864 | Period | 7.1 | 89.1 |
| Mar., 1864 | 1864 | | 8.3 | 79.1 |
| April, 1864 | 1864 | of | 7.7 | 92.0 |
| May, 1864 | 1864 | | 6.2 | 104.4 |
| June, 1864 | 1864 | depression; | 6.3 | 114.7 |
| July, 1864 | 1864 | | 6.6 | 129.6 |
| Aug., 1864 | 1864 | war | 8.9 | 100.5 |
| Sept., 1864 | 1864 | | 7.3 | 130.3 |
| Oct., 1864 | 1864 | in | 6.9 | 124.7 |
| Nov., 1864 | 1864 | full | 7.2 | 135.5 |
| Dec., 1864 | 1864 | blast. | 10.4 | 96.5 |
| Jan., 1865 | 1865 | Stimulation becomes evident | 12.4 | 90.0 |
| Feb., 1865 | 1865 | in spite | 12.8 | 88.1 |
| Mar., 1865 | 1865 | high price corn. | 14.2 | 78.6 |
| April, 1865 | 1865 | The war ends. | 15.1 | 62.9 |
| May, 1865 | 1865 | Following peace, | 14.0 | 53.8 |
| June, 1865 | 1865 | | 14.9 | 52.4 |
| July, 1865 | 1865 | stimulation | 16.4 | 56.3 |
| Aug., 1865 | 1865 | | 16.0 | 67.4 |
| Sept., 1865 | 1865 | becomes | 19.5 | 60.0 |
| Oct., 1865 | 1865 | | 24.8 | 49.2 |
| Nov., 1865 | 1865 | marked | 21.2 | 52.5 |
| Dec., 1865 | 1865 | again. | 21.6 | 42.0 |
| Jan., 1866 | 1866 | Stimulative | 24.9 | 37.3 |
| Feb., 1866 | 1866 | | 26.6 | 35.4 |
| Mar., 1866 | 1866 | | 25.2 | 37.3 |
| April, 1866 | 1866 | ratios | 20.3 | 42.1 |
| May, 1866 | 1866 | | 18.2 | 47.9 |
| June, 1866 | 1866 | prevail. | 17.6 | 51.0 |

That these conditions are somewhat approximated by the conditions existing during the past year is evident from the figures given below, from November, 1916, to October, 1917, same being figured on the monthly basis, as are the Civil War ratios:

TABLE III

WORLD WAR RATIOS

(Figured on Current Monthly Values.)

| The Month | The Year | Explanatory Statements | Ratio | The Price of Corn per Bushel |
|-------------|----------|--|-------------|------------------------------|
| Nov., 1916 | | War has been in progress a little over two years; conditions fair. | 9.7 bu. | 102.0c |
| Dec., 1916 | | | 10.9 | 92.0 |
| Jan., 1917 | | Ratios practically normal. | 11.1 (12.2) | 99.0 |
| Feb., 1917 | | | 12.4 (13.4) | 100.8 |
| Mar., 1917 | | | 13.3 | 111.8 |
| April, 1917 | | | 10.9 | 144.9 |
| May, 1917 | | | 9.7 | 163.9 |
| June, 1917 | | | 9.2 | 170.7 |
| July, 1917 | | Depression | 7.6 | 200.0 |
| Aug., 1917 | | at its depth; | 8.6 | 197.2 |
| Sept., 1917 | | future breeding | 8.8 | 208.6 |
| Oct., 1917 | | discouraged. | 8.7 | 198.0 |

The decrease in production coincides fairly well with the decrease in the ratio so that at the present time, October, 1917, we are in a period of marked depression; depression that is reflected all the more inasmuch as it is breeding season—the vital season of the year from the production standpoint. We believe that stimulation for the present, through the establishment of fair ratios, will tend largely to avoid the extreme stimulative ratios which are apparently bound to come later if hands are kept off and ordinary laws of supply and demand are allowed to rule. It is better for the producer, consumer, the Government and our Allies that these ratios be kept somewhat in normal line, and therefore regulation and present stimulation by the Food Administration is of paramount importance.

It is the emphatic opinion of this Commission that, to secure increased production under present abnormal conditions, definite assurance of a fair price of hogs should be given to producers by the Food Administration, and that the widest, possible publicity be given to whatever action is taken with reference to the hog situation. And further, it is also suggested that this information be furnished as soon as possible to Livestock Exchanges, State Councils of Defense, State Food Committees, Administrative Officers of the Federal and State Departments of Agriculture and various agricultural colleges, County Agricultural Agents, and to the general and agricultural press.

Very respectfully submitted,

(Signed)

JOHN M. EVVARD, Chairman, Ames, Iowa.
 LAWRENCE P. FUNK, Bloomington, Illinois.
 N. H. GENTRY, Sedalia, Missouri.
 W. A. WILLIAMS, Marlow, Oklahoma.
 J. H. SKINNER, Lafayette, Indiana.
 TAIT BUTLER, Memphis, Tennessee.
 E. W. BURDIE, Herman, Nebraska.

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